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DEPARTMENT OF STATE

Washington, D.C. 20520

September 27, 1974

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MEMORANDUM FOR THE SECRETARY

FROM : EA - Arthur Hummel *MN*
S/P - Winston Lord *MN*
NSC - Richard H. Solomon *MN*

SUBJECT : Your Meeting with Chiao Kuan-hua --
Dinner, October 2, 1974

The Setting

This meeting will serve both as the first extensive conversation with the Chinese since your dinner with Teng Hsiao-ping and Chiao Kuan-hua last April and as a prelude to your late November trip to Peking. Since April you have met periodically with Ambassador Huang Chen but as is customary these have generally been one-sided talks, with your outlining our views on various issues or briefing the Chinese on our diplomatic activities. On this occasion, Chiao will serve as an authoritative and direct channel back to the Chairman and the leadership. He should be prepared to speak authoritatively both on our bilateral relations and on third country issues around the globe, although, as he and other Chinese have indicated, they are essentially waiting to hear from us on our bilateral relationship.

Following are the main events or trends that have taken place since your April talks:

-- President Ford has replaced President Nixon, and he and you have affirmed through messages and in meetings with Ambassador Huang the continuity of our policy. Nevertheless, the Chinese will be sensitive to any shifts or different nuances in our positions. The President has strongly reaffirmed your own crucial role and his confidence in you, but the Chinese may have noted that there has been some domestic criticism of your role.

-- The domestic turmoil in China has calmed down, at least for the time being. It would appear that the campaign

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is not going to get out of control or fundamentally reorient Chinese policy: and there is some speculation that the Chinese may be preparing to hold their often delayed National People's Congress to fill key government positions. At the same time Chou's declining health, and perhaps other factors, have clearly circumscribed his role; it now seems unlikely that he will resume the role he played between 1970 and 1973 in the development of our relationship. This decline was previewed in your November trip, with Mao playing a much more central role and Chou a more tactical one than ever before, and it was reconfirmed in your April dinner when the Chinese never once mentioned Chou's name. Those who are taking up the slack, such as Teng Hsiao-ping and Li Hsien-nien, are Chou's lieutenants; and well-disposed officials identified with Chairman Mao -- Wang Hai-jung, his grand niece, and Nancy Tang -- have assumed key American policy positions in the Foreign Ministry. Nevertheless, Chou's condition and the political uncertainties underline that the succession problem is looming ever larger. This cannot but help create some uncertainties in our relationship.

-- On Taiwan, Chinese officials have been consistently playing the twin themes of patience on Taiwan's reintegration and firmness on the nature of bilateral relations with us. Teng, Chiao, and others have been saying to visiting congressmen and other audiences that they can wait 100 years if necessary to reincorporate Taiwan, while seriously questioning the possibility of peaceful liberation (themes previewed by Mao last November). These statements notwithstanding, they do expect movement on "normalization." They indicate that further progress in such areas as trade and exchanges must await diplomatic relations (they do this to preserve leverage on us); that we must follow the Japan model (though presumably there is some elbow room here given the differences between Japan and ourselves and our additional leverage); and that what we do with issues such as our Defense Treaty is our problem.

-- Bilateral relations on day-to-day matters have moved along moderately well, but have not been trouble-free. The exchange program has proceeded approximately as agreed during your November 1973 trip, although it appears that the Chinese will not carry through on two of the agreed exchanges, and we have had to postpone a Chinese performing group because of a conflict with a

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long-scheduled tour by a performing group from Taiwan. The National Committee on US-China Relations is particularly concerned by what seems to be an uncooperative Chinese attitude, and there is growing evidence that the PRC will increasingly use the US-China Friendship Associations as a "chosen instrument" for arranging for various American groups to visit the PRC. Trade continues to grow, and may reach about a billion dollars in 1974, still imbalanced about 10 to 1 in our favor. However, there are also problems here, resulting from our controls on export of ferrous scrap, from PRC refusal to recognize officially our requirements for end-use information on items requiring export licenses, and from impurities which the Chinese have found in grain shipments. There has been no movement on the blocked assets/private claims issue since the PRC's harsh rejection in June of our last proposals. We still have occasional visa problems, although recently the Chinese gave a visa to one of our political officers in Hong Kong to visit Peking for consultation with USLO -- the first such visa in 1974. The PRC tightly controls access to USLO by Chinese who wish to apply for visas or passports. In short, while there are no critical problems, there are issues and assymetries which are troublesome.

-- The Chinese remain as hostile to the Soviet Union as ever. But they now strongly emphasize the theme that the real Soviet threat is to the West and not to them, pointing out that 3/4 of the Soviet troops are deployed toward the West and that there are not enough on the Sino-Soviet border to present a real threat to China. There is undoubtedly some gamesmanship here since the Chinese know full well that the Soviet danger is our single greatest lever in Peking. At the same time they may believe that we are stalled in our relations with the Soviet Union, given such factors as the less than spectacular June 1974 summit, the lack of progress in such negotiations as SALT, MBFR, and CSCE, and the challenge to detente in this country. Nevertheless they will remain sensitive to US/Soviet cooperation and will want to know what we are up to in your October trip and President Ford's subsequent meetings.

-- The Chinese were making tentative moves toward better relations with India in the wake of the Simla process, but this seems to have been cut short by the Indian nuclear test (and Pakistan's reactions) and Indian annexation of

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Sikkim. The Chinese continue to believe that we do not support Pakistan sufficiently, especially in military aid, and will be interested in your forthcoming trip to the Subcontinent.

-- The Chinese have welcomed U.S. diplomatic activity in the Middle East and the concurrent erosion of Soviet influence. Nevertheless they may be beginning to wonder just how much further we will be able to carry forward this process, given the increasing intractability of the negotiating issues.

-- The Chinese have concluded a civil aviation agreement with the Japanese and continue to stress the importance of our maintaining good relations with Tokyo. They also loom as an important oil exporter to the Japanese which will give them more leverage in the Soviet-Chinese-Japanese triangle. They will be interested in President Ford's trip to Japan.

-- At the United Nations the Chinese are continuing to sound the theme of solidarity with the third world against the two super powers as they have been in other forums. This may partly be a reflection of their domestic struggle as well as their calculation that over the long term the third world can provide some counterweight to Soviet designs. Peking might see increased potential in the third world option when they view the tremendous impact on U.S., Europe, and Japan of the oil producers' pressures. But they are no doubt worried at the same time that this weakening of the West will only serve Soviet purposes.

Objectives

Against this background we believe your primary objectives at this meeting should be as follows:

-- To underline the basic continuity of our policy under President Ford, both with respect to normalization of relations and our strategic geopolitical approach.

-- To gain a better appreciation of the forces at work in China and the key figures and policies that are likely to emerge, given their uncertain domestic situation and the various geopolitical factors outlined above.

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-- To preview your forthcoming trip to Peking, most particularly discussions on Taiwan and normalization of relations. In making a general presentation, you will want to indicate that we are giving serious thought to those issues and will be prepared to talk concretely in Peking about moving ahead, but that there are genuine difficulties. You should try to create some elbow room for the more detailed talks later by outlining some of our problems (especially on the security side) which it is in their interest to recognize and help alleviate. They have been citing the Japan model and our visiting Congressmen have not really raised our potential difficulties in the normalization process. You will want to leave the Chinese with the message that they must show some flexibility, both in order to handle our domestic situation and to insure that Taiwan does not make drastic moves toward independence or turn toward the Soviet Union. At the same time you don't want to leave any impression that we are backing away from any of our commitments.

-- To emphasize that it is in neither of our countries' interests to see tensions or conflicts heightened in third areas which might affect our bilateral relations, especially in Asia. In particular, you should make our pitch on a Cambodian Peace Conference and press them for a response to our latest suggestions on the Korean United Nations Command issue.

-- To give them a rundown on the prospects for our relations with Moscow, including the forthcoming trips and the various negotiations.

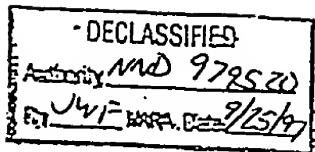
-- To give them the customary briefing on other third country areas, including the Middle East and Cyprus, as well as previewing your forthcoming trip to South Asia and Iran.

Approach to the Meeting

We believe you could structure the meeting along the following lines:

-- Establish early in the meeting the essential continuity of our geopolitical approach under Ford-Kissinger. Highlights could include our attitude toward the Soviet Union,

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the Middle East, South Asia, our alliances with Europe and Japan, and our strong defense posture.

-- Then lead into general Taiwan/normalization of relations discussion stating that in this global context the improvement in US-China relations clearly serves the interests of both sides; we have progressed to date because of vision on both sides; and we intend to do what we said we would. After this general discussion of our desire to proceed as bait, you would then outline some of our considerations and problems that have to be taken into account. (See TAB A).

-- After this discussion, thus setting a framework for more explicit talks in Peking, move on to Korea, asking for their reaction to our latest proposal. (See TAB B).

-- Then make a pitch on a Cambodian peace conference. See TAB C).

-- Then, time permitting, pick up any third area or country issues not yet covered.

The record of your talk with Chiao and Teng last April is at TAB D.

Attachments

- TAB A - Taiwan/Bilateral Relations
- TAB B - Korea
- TAB C - Cambodia
- TAB D - April MemCon

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